

Senate File 2372 - Introduced

SENATE FILE 2372

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3154)

A BILL FOR

1 An Act relating to state taxation and administration by
2 modifying sales and use taxes, individual and corporate
3 income taxes, the automobile rental excise tax, the
4 franchise tax, and the insurance premiums tax, and including
5 effective date, applicability, and retroactive applicability
6 provisions.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

SALES AND USE TAX ON SERVICES AND EXEMPTIONS

Section 1. Section 423.2, subsection 6, paragraph bu, Code 2022, is amended to read as follows:

bu. ~~Software as a service~~ Cloud computing.

Sec. 2. Section 423.2, subsection 6, Code 2022, is amended by adding the following new paragraphs:

NEW PARAGRAPH. *bv.* Web hosting.

NEW PARAGRAPH. *bw.* Digital automated services.

NEW PARAGRAPH. *bx.* Scooter rentals.

Sec. 3. Section 423.3, subsection 8, paragraph d, subparagraph (1), Code 2022, is amended by adding the following new subparagraph division:

NEW SUBPARAGRAPH DIVISION. (e) A specified digital product.

Sec. 4. Section 423.3, subsection 47, paragraph a, subparagraph (4), Code 2022, is amended by striking the subparagraph.

Sec. 5. Section 423.3, subsection 68, paragraph c, subparagraph (1), subparagraph division (a), Code 2022, is amended to read as follows:

(a) "*Clothing*" includes but is not limited to the following: aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; ~~diapers (children and adults, including disposable diapers)~~; earmuffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoelaces; slippers; sneakers; socks and stockings; steel-toed shoes; underwear; uniforms, athletic and nonathletic; and wedding apparel.

Sec. 6. Section 423.3, subsection 104, paragraph a, Code 2022, is amended to read as follows:

1 a. The sales price of specified digital products and of
2 prewritten computer software sold, and of enumerated services
3 described in section 423.2, subsection 1, paragraph "a",
4 subparagraph (5), or section 423.2, subsection 6, paragraphs
5 "bq", "br", "bs", and "bu", "bv", and "bw" furnished, to a
6 commercial enterprise for use exclusively by the commercial
7 enterprise. The use of prewritten computer software, a
8 specified digital product, or service fails to qualify as a
9 use exclusively by the commercial enterprise if its use for
10 noncommercial purposes is more than de minimis.

11 Sec. 7. Section 423.3, subsection 104, paragraph b,
12 subparagraph (1), Code 2022, is amended to read as follows:

13 (1) "*Commercial enterprise*" means the same as defined in
14 section 423.3, subsection 47, paragraph "d", subparagraph (1),
15 ~~but also includes professions and occupations and includes~~
16 public utilities as defined in section 476.1, subsection 3.

17 Sec. 8. Section 423.3, Code 2022, is amended by adding the
18 following new subsections:

19 NEW SUBSECTION. 107. The sales price from the sale of
20 period products. For purposes of this subsection, "*period*
21 *products*" means sanitary napkins or pads, tampons, menstrual
22 cups, or other similar items used in connection with the
23 menstrual cycle.

24 NEW SUBSECTION. 108. The sales price from the sale of a
25 child or adult diaper, whether cloth or disposable.

26 Sec. 9. Section 423.4, subsection 1, paragraph a, Code 2022,
27 is amended by adding the following new subparagraphs:

28 NEW SUBPARAGRAPH. (10) A nonprofit facility licensed by
29 the state built on or after January 1, 2022, that provides
30 residential addiction recovery and emergency shelter services
31 for children. For purposes of this subparagraph, "*children*"
32 means the same as "*child*" as defined in section 234.1.

33 NEW SUBPARAGRAPH. (11) A fair as defined in section 174.1.

34 Sec. 10. REFUNDS. Refunds of taxes, interest, or penalties
35 which arise from claims resulting from the enactment of section

1 423.4, subsection 1, paragraph "a", subparagraph (11), in this
2 division of this Act, occurring between January 1, 2021, and
3 the effective date of this section of this Act shall be limited
4 to twenty-five thousand dollars in the aggregate, and shall not
5 be allowed unless refund claims are filed by October 1, 2022,
6 notwithstanding any other law to the contrary. If the amount
7 of the claims totals more than twenty-five thousand dollars
8 in the aggregate, the department of revenue shall prorate the
9 twenty-five thousand dollars in the aggregate among all the
10 claimants' in relation to the amounts of the claimants valid
11 claims.

12 Sec. 11. EFFECTIVE DATE. Except as otherwise provided, this
13 division of this Act takes effect January 1, 2023.

14 Sec. 12. EFFECTIVE DATE. The following, being deemed of
15 immediate importance, take effect upon enactment:

16 1. The section of this division of this Act enacting a
17 provision allowing for refunds of taxes, interest, or penalties
18 which arise from the enactment of section 423.4, subsection 1,
19 paragraph "a", subparagraph (11).

20 2. The portion of the section of this division of this
21 Act enacting section 423.4, subsection 1, paragraph "a",
22 subparagraph (11).

23 Sec. 13. RETROACTIVE APPLICABILITY. The following apply
24 retroactively to January 1, 2021:

25 1. The section of this division of this Act enacting a
26 provision allowing for refunds of taxes, interest, or penalties
27 which arise from the enactment of section 423.4, subsection 1,
28 paragraph "a", subparagraph (11).

29 2. The portion of the section of this division of this
30 Act enacting section 423.4, subsection 1, paragraph "a",
31 subparagraph (11).

32 DIVISION II

33 AUTOMOBILE RENTAL EXCISE TAX

34 Sec. 14. Section 423.14A, subsection 1, paragraph b,
35 subparagraph (3), Code 2022, is amended by striking the

1 subparagraph.

2 Sec. 15. Section 423C.2, subsection 7, Code 2022, is amended
3 by striking the subsection.

4 Sec. 16. Section 423C.3, subsection 3, paragraph b, Code
5 2022, is amended by striking the paragraph.

6 Sec. 17. EFFECTIVE DATE. This division of this Act takes
7 effect January 1, 2023.

8 DIVISION III

9 MANUFACTURED FOOD — SALES TAX EXEMPTION

10 Sec. 18. Section 423.3, subsection 49, Code 2022, is amended
11 to read as follows:

12 49. a. The sales price from the sale of carbon dioxide
13 in a liquid, solid, or gaseous form, electricity, steam, and
14 other taxable services and the lease or rental of tangible
15 personal property when used by a manufacturer ~~of food products~~
16 to primarily produce marketable food products for human
17 consumption food or food ingredients, including but not
18 limited to treatment of material to change its form, context,
19 or condition, in order to produce the food ~~product~~ or food
20 ingredients, maintenance of quality or integrity of the
21 food ~~product~~ or food ingredients, changing or maintenance of
22 temperature levels necessary to avoid spoilage or to hold the
23 food ~~product~~ or food ingredients in marketable condition,
24 maintenance of environmental conditions necessary for the safe
25 or efficient use of machinery and material used to produce
26 the food ~~product~~ or food ingredients, sanitation and quality
27 control activities, formation of packaging, placement into
28 shipping containers, and movement of the material or food
29 ~~product~~ or food ingredients until shipment from the building
30 of manufacture.

31 b. For purposes of this subsection, "food or food
32 ingredients" means the same as "food and food ingredients" as
33 defined in subsection 57, paragraph "d", and includes tangible
34 personal property that could be sold for ingestion or chewing
35 by humans but is sold for another use.

1 Sec. 19. REFUNDS. Refunds of taxes, interest, or penalties
2 which arise from the enactment of this division of this Act,
3 for sales or services occurring between January 1, 2019, and
4 the effective date of this division of this Act, shall be
5 limited to one hundred thousand dollars in the aggregate for
6 any calendar year in which claims are eligible for a refund and
7 shall not be allowed unless refund claims are filed by October
8 1, 2022, notwithstanding any other law to the contrary. If the
9 amount of claims totals more than one hundred thousand dollars
10 in the aggregate for any calendar year in which claims are
11 eligible for a refund, the department of revenue shall prorate
12 the one hundred thousand dollars in the aggregate among all the
13 claimants for that particular calendar year in relation to the
14 amounts of the claimants' valid claims.

15 Sec. 20. EFFECTIVE DATE. This division of this Act, being
16 deemed of immediate importance, takes effect upon enactment.

17 Sec. 21. RETROACTIVE APPLICABILITY. This division of this
18 Act applies retroactively to January 1, 2019.

19 DIVISION IV

20 NATIONAL GUARD PAY

21 Sec. 22. Section 422.7, Code 2022, is amended by adding the
22 following new subsection:

23 NEW SUBSECTION. 42B. Subtract, to the extent included, up
24 to twenty thousand dollars of pay received by the taxpayer for
25 service pursuant to 32 U.S.C. §502.

26 Sec. 23. APPLICABILITY. This division of this Act applies
27 to tax years beginning on or after January 1, 2023.

28 DIVISION V

29 NET OPERATING LOSS DEDUCTION

30 Sec. 24. Section 422.7, unnumbered paragraph 1, Code 2022,
31 is amended to read as follows:

32 The term "*net income*" means ~~the adjusted gross income before~~
33 ~~the net operating loss deduction~~ taxable income as properly
34 computed for federal income tax purposes under section 63
35 of the Internal Revenue Code before the net operating loss

1 deduction, with the following adjustments:

2 Sec. 25. Section 422.9, Code 2022, is amended by striking
3 the section and inserting in lieu thereof the following:

4 **422.9 Carryforward of Iowa net operating loss — deduction.**

5 1. If, after applying all of the adjustments provided for in
6 section 422.7 and the allocation provisions of section 422.8,
7 and subject to the modifications provided in section 172(d)
8 of the Internal Revenue Code, the taxable income results in
9 a net operating loss, such Iowa net operating loss, if any,
10 shall be carried forward and such carryforward amounts shall be
11 available as a deduction under this subsection in future years.

12 2. The deduction allowed under subsection 1 shall be
13 calculated by subtracting the sum of the following from net
14 income:

15 a. The aggregate amount of net operating losses arising in
16 taxable years beginning before January 1, 2023, carried to such
17 taxable year.

18 b. The lesser of the aggregate amount of net operating
19 losses arising in taxable years beginning after December 31,
20 2022, carried to such taxable year, or eighty percent of the
21 excess of taxable income, if any, computed without regard to
22 the deductions under this section and, to the extent included
23 in the Iowa net income calculation, sections 199A and 250 of
24 the Internal Revenue Code, over the amount determined under
25 paragraph "a".

26 Sec. 26. Section 422.35, subsection 11, Code 2022, is
27 amended by striking the subsection and inserting in lieu
28 thereof the following:

29 11. a. If, after applying all of the adjustments provided
30 for in this section and the allocation and apportionment
31 provisions of section 422.33, the Iowa taxable income results
32 in a net operating loss, such Iowa net operating loss shall
33 be carried forward and such carryforward amounts shall be
34 available as a deduction under this subsection in future years.

35 b. For the current year subtract the sum of the following,

1 to the extent available, any net operating loss carryforward
2 amount as follows:

3 (1) The aggregate amount of net operating losses arising in
4 taxable years beginning before January 1, 2023, carried to such
5 taxable year.

6 (2) The lesser of the aggregate amount of net operating
7 losses arising in taxable years beginning after December 31,
8 2022, carried to such taxable year, or eighty percent of the
9 excess of taxable income, if any, computed without regard to
10 the deductions under this subsection to the extent included in
11 the Iowa net income calculation, section 250 of the Internal
12 Revenue Code, over the amount determined under subparagraph
13 (1).

14 c. Any portion of a net operating loss which was sustained
15 from that portion of the trade or business carried on outside
16 the state of Iowa shall not be deducted.

17 d. The deductions described in this subsection are allowed
18 subject to the requirement that a corporation affected by the
19 allocation provisions of section 422.33 shall be permitted to
20 deduct only that portion of the deductions for net operating
21 loss that is fairly and equitably allocable to Iowa, under
22 rules prescribed by the director.

23 Sec. 27. REPEAL. 2018 Iowa Acts, chapter 1161, sections
24 108, 109, 120, 128, and 129, are repealed.

25 Sec. 28. EFFECTIVE DATE. This division of this Act takes
26 effect January 1, 2023.

27 Sec. 29. APPLICABILITY. This division of this Act applies
28 to tax years beginning on or after January 1, 2023.

29 DIVISION VI

30 CHANGES TO SALE OF CERTAIN QUALIFIED STOCK PROVISIONS

31 Sec. 30. Section 422.7, subsection 63, paragraph c,
32 subparagraph (2), as enacted by 2022 Iowa Acts, House File
33 2317, section 1, is amended to read as follows:

34 (2) "*Employee-owner*" means an individual who owns capital
35 stock in a qualified corporation for at least ten years, which

1 capital stock was acquired by the individual while employed and
2 on account of employment by ~~such~~ any qualified corporation for
3 at least ten cumulative years.

4 Sec. 31. Section 422.7, subsection 63, paragraph c,
5 subparagraph (4), subparagraph division (b), as enacted by 2022
6 Iowa Acts, House File 2317, section 1, is amended to read as
7 follows:

8 (b) "*Qualified corporation*" includes any member of an Iowa
9 affiliated group if the Iowa affiliated group includes a member
10 that has employed individuals in this state for at least ten
11 years. For purposes of this subparagraph division, "*Iowa*
12 *affiliated group*" means an affiliated group that ~~has made~~ is
13 eligible to make a valid election to file an Iowa consolidated
14 income tax return under section 422.37 in the year in which
15 the deduction under this subsection is claimed. "*Member*"
16 includes any entity that is eligible to be included in the a
17 consolidated return under section 422.37, subsection 2, for the
18 tax year in which the deduction is claimed.

19 Sec. 32. EFFECTIVE DATE. This division of this Act takes
20 effect January 1, 2023.

21 Sec. 33. APPLICABILITY. This division of this Act applies
22 to tax years beginning on or after January 1, 2023.

23 DIVISION VII
24 FRANCHISE TAX

25 Sec. 34. Section 422.63, Code 2022, is amended to read as
26 follows:

27 **422.63 Amount of tax.**

28 1. The franchise tax is imposed annually in an amount equal
29 to ~~five~~ the percent specified in subsection 2 of the net income
30 received or accrued during the taxable year. If the net income
31 of the financial institution is derived from its business
32 carried on entirely within the state, the tax shall be imposed
33 on the entire net income, but if the business is carried on
34 partly within and partly without the state, the portion of net
35 income reasonably attributable to the business within the state

1 shall be specifically allocated or equitably apportioned within
2 and without the state under rules of the director.

3 2. a. For tax years beginning prior to January 1, 2023,
4 five percent.

5 b. For tax years beginning on or after January 1, 2023, but
6 before January 1, 2024, four and four-fifths percent.

7 c. For tax years beginning on or after January 1, 2024, but
8 before January 1, 2025, four and three-fifths percent.

9 d. For tax years beginning on or after January 1, 2025, but
10 before January 1, 2026, four and two-fifths percent.

11 e. For tax years beginning on or after January 1, 2026, but
12 before January 1, 2027, four and one-fifth percent.

13 f. For tax years beginning on or after January 1, 2027,
14 three and nine-tenths percent.

15 DIVISION VIII

16 INSURANCE PREMIUMS TAX

17 Sec. 35. Section 432.1, subsection 2, Code 2022, is amended
18 to read as follows:

19 2. The "*applicable percent*" for purposes of [subsection 1](#) of
20 this section and [section 432.2](#) is the following:

21 a. For calendar years beginning before the 2003 calendar
22 year, two percent.

23 b. For the 2003 calendar year, one and three-fourths
24 percent.

25 c. For the 2004 calendar year, one and one-half percent.

26 d. For the 2005 calendar year, one and one-fourth percent.

27 e. For the 2006 ~~and subsequent~~ calendar years year through
28 the 2022 calendar year, one percent.

29 f. For the 2023 calendar year, ninety-five hundredths of one
30 percent.

31 g. For the 2024 and subsequent calendar years, nine-tenths
32 of one percent.

33 Sec. 36. Section 432.1, subsection 4, Code 2022, is amended
34 to read as follows:

35 4. The "*applicable percent*" for purposes of [subsection 3](#) is

1 the following:

2 a. For calendar years beginning before the 2004 calendar
3 year, two percent.

4 b. For the 2004 calendar year, one and three-fourths
5 percent.

6 c. For the 2005 calendar year, one and one-half percent.

7 d. For the 2006 calendar year, one and one-fourth percent.

8 e. For the 2007 ~~and subsequent~~ calendar years year through
9 the 2022 calendar year, one percent.

10 f. For the 2023 calendar year, ninety-five hundredths of one
11 percent.

12 g. For the 2024 and subsequent calendar years, nine-tenths
13 of one percent.

14 EXPLANATION

15 The inclusion of this explanation does not constitute agreement with
16 the explanation's substance by the members of the general assembly.

17 This bill relates to state taxation and administration by
18 modifying sales and use taxes, individual and corporate income
19 taxes, the automobile rental excise tax, the franchise tax, and
20 the insurance premium tax.

21 DIVISION I — SALES AND USE TAX ON SERVICES AND EXEMPTIONS.
22 The bill strikes "software as a service" and substitutes "cloud
23 computing" as a service for purposes of imposing sales tax.
24 The bill makes the following services subject to the sales tax:
25 web hosting, digital automated services, and scooter. However,
26 the bill exempts web hosting and digital automated services
27 from the sales tax when furnished to a commercial enterprise
28 for use exclusively by the commercial enterprise.

29 The bill exempts "specified digital products" from the sales
30 tax when used in agricultural production.

31 The bill strikes the sales and use tax exemption on the
32 sales price from the sale or rental of computer or computer
33 peripherals by an insurance company, financial institution, or
34 commercial enterprise.

35 The bill exempts from the sales tax the sale of period

1 products and child and adult diapers. Period products are
2 defined in the bill.

3 The bill strikes "professions and occupations" from
4 the definition of "commercial enterprise" in Code section
5 423.3(104) thus making sales to professions and occupations
6 related to prewritten software, specified digital services,
7 and other services subject to the sales tax. The bill expands
8 the definition of "commercial enterprise" to include a "public
9 utility" as defined in Code section 476.1(3). As a result, the
10 sales price of specified digital products, prewritten computer
11 software, and other enumerated digital and computer services
12 furnished to a public utility are exempt from the sales tax, if
13 exclusively used by the public utility.

14 Currently, a "designated exempt entity" may apply to the
15 department of revenue, under certain circumstances, for the
16 refund of sales or use tax upon the sales price of all sales
17 of building materials, supplies, equipment, or from services
18 furnished to a contractor, used in the performance of a written
19 contract with the designated exempt entity.

20 The bill makes a nonprofit facility licensed by the state
21 built on or after January 1, 2022, a designated exempt entity,
22 if the facility provides residential addiction recovery and
23 emergency shelter services for children under 18 years of age
24 and certain young adults.

25 The bill also makes a county or district fair a designated
26 exempt entity. This provision takes effect upon enactment and
27 applies retroactively to January 1, 2021. The bill allows for
28 refunds of taxes, interest, or penalties arising from claims
29 resulting from the enactment of the bill. The bill limits the
30 refund amount to \$25,000 in the aggregate.

31 Except as otherwise provided, the division takes effect
32 January 1, 2023.

33 DIVISION II — AUTOMOBILE RENTAL EXCISE TAX. The bill
34 repeals an exception for the collection of the automobile
35 rental excise tax of a person or an affiliate of a person who

1 owns, operates, or controls an automobile peer-to-peer sharing
2 marketplace.

3 This division takes effect January 1, 2023.

4 DIVISION III — MANUFACTURED FOOD — SALES TAX EXEMPTION.

5 The bill exempts from the sales tax the sales of certain items
6 and services used by a manufacturer to primarily produce food
7 or food ingredients, including the lease or rental of tangible
8 personal property used to primarily produce such food or food
9 ingredients.

10 The bill defines "food or food ingredients" to mean the same
11 as defined in Code section 423.3(57)(d) and includes tangible
12 personal property that could be sold for ingestion or chewing
13 by humans but is sold for another use.

14 Under current law, in order to receive the sales tax
15 exemption the items or services must be used to produce
16 marketable food products for human consumption.

17 By operation of Code section 423.6, an item exempt from the
18 imposition of the sales tax is also exempt from the use tax
19 imposed in Code section 423.5.

20 The bill requires refunds of taxes, interest, or penalties
21 arising from claims resulting from the enactment of the bill
22 for sales or services occurring between January 1, 2019, and
23 the effective date of the bill to be filed prior to October
24 1, 2022. Refunds of taxes, interest, or penalties shall not
25 exceed \$100,000 in the aggregate in any calendar year in which
26 claims are eligible for a refund. If the amount of claims
27 totals more than \$100,000 in the aggregate for any calendar
28 year in which claims are eligible for a refund, the department
29 of revenue shall prorate the \$100,000 in the aggregate among
30 all the claimants for that particular calendar year.

31 This division takes effect upon enactment and applies
32 retroactively to January 1, 2019.

33 DIVISION IV — NATIONAL GUARD PAY. The bill exempts from the
34 individual income tax up to \$20,000 of pay received by a member
35 of the national guard for any required drills, field exercises,

1 or in the performance of any other orders under 32 U.S.C. §502.

2 This division applies to tax years beginning on or after
3 January 1, 2023.

4 DIVISION V — NET OPERATING LOSS DEDUCTION. For tax years
5 beginning on or after January 1, 2023, 2018 Iowa Acts, chapter
6 1161, sections 120, 128, and 129, are set to go into effect,
7 which provide that a net operating loss will no longer be
8 calculated at the state level for individual and corporate
9 income taxpayers, as applicable, and requires such taxpayers
10 to add back any federal net operating loss deduction carried
11 over from a tax year beginning prior to January 1, 2023, but
12 such taxpayers are allowed to deduct any remaining Iowa net
13 operating loss from a prior taxable year. The net operating
14 loss deduction remains available to taxpayers at the federal
15 level.

16 The bill strikes the provisions in 2018 Iowa Acts, chapter
17 1161, disallowing a separate net operating loss calculation
18 at the state level and creates an Iowa net operating loss
19 calculation.

20 INDIVIDUAL INCOME TAXPAYERS. For individual income
21 taxpayers, under the Iowa net operating loss deduction
22 calculation, the taxpayer subtracts the net operating loss
23 carryforward amount from net income calculated as follows: the
24 sum of the aggregate amount of net operating losses arising
25 in taxable years beginning before January 1, 2023, carried to
26 such taxable year, and the lesser of the aggregate amount of
27 net operating losses arising in taxable years beginning after
28 December 31, 2022, carried to such taxable year, or 80 percent
29 of the excess of taxable income, without regard to certain
30 deductions.

31 CORPORATE INCOME TAXPAYERS. For corporate income taxpayers,
32 under the Iowa net operating loss deduction calculation, the
33 taxpayer subtracts the net operating loss carryforward amount
34 from net income as follows: the sum of the aggregate amount
35 of net operating losses arising in taxable years beginning

1 before January 1, 2023, carried to such taxable year, and the
2 lesser of the aggregate amount of net operating losses arising
3 in taxable years beginning after December 31, 2022, carried
4 to such taxable year, or 80 percent of the excess of taxable
5 income, without regard to certain deductions.

6 The bill provides that the portion of a net operating loss
7 which was sustained from that portion of the trade or business
8 carried on outside the state of Iowa shall not be deducted.

9 The bill provides that a taxpayer is only permitted to deduct
10 the portion of the deduction for net operating loss that is
11 fairly and equitably allocable to Iowa, under rules prescribed
12 by the director or revenue.

13 EFFECTIVE DATE AND APPLICABILITY. This division takes
14 effect January 1, 2023, and applies to tax years beginning on
15 or after that date.

16 DIVISION VI — CHANGES TO SALE OF CERTAIN QUALIFIED STOCK
17 PROVISIONS. The bill makes changes to provisions related to
18 the sale of certain qualified stock in 2022 Iowa Acts, House
19 File 2317, as enacted. 2022 Iowa Acts, House File 2317,
20 grants an employee-owner one irrevocable lifetime election
21 to exclude from state individual income tax the net capital
22 gain from the state of the capital stock on one qualified
23 corporation. The bill expands the definition of "qualified
24 corporation" to include any "member" of an Iowa affiliate group
25 if the affiliated group is eligible to make a valid election
26 to file an Iowa consolidated income tax return under Code
27 section 422.37 in the year the qualified stock sale deduction
28 is made. The bill expands the definition of "member" under
29 the definition of "qualified corporation" in 2022 Iowa Acts,
30 House File 2317, to include any entity that is eligible to be
31 included in a consolidated return under Code section 422.37(2)
32 if an election is made to file a consolidated return.

33 This division takes effect January 1, 2023, and applies to
34 tax years beginning on or after that date.

35 DIVISION VII — FRANCHISE TAX. The bill phases in a

1 reduction of the current franchise tax of 5 percent of net
2 income as follows: Commencing with the tax years beginning
3 during the 2023 calendar year, 4.80 percent; for tax years
4 beginning during the 2024 calendar year, 4.60 percent; for tax
5 years beginning during the 2025 calendar year, 4.40 percent;
6 for tax years beginning during the 2026 calendar year, 4.20
7 percent; and for all tax years beginning on or after January
8 1, 2027, 3.90 percent.

9 DIVISION VIII — INSURANCE PREMIUMS TAX. The bill reduces
10 the insurance premiums tax on the gross amount of premiums
11 received by an insurance company from 1 percent to .95 percent
12 in calendar year 2023, and from .95 percent to .90 percent for
13 the 2024 calendar year and subsequent calendar years.